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**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
LOS ANGELES DIVISION**

In re: CORNERSTONE APPAREL, INC., Debtor.

) Case No.: 2:17-bk-17292-VZ

) ) Chapter 11

) ) **UNITED STATES TRUSTEE'S LIMITED  
OPPOSITION TO DEBTOR'S  
EMERGENCY MOTION FOR  
AUTHORITY TO PAY PRE-PETITION  
PRIORITY WAGES**

) ) **Hearing:**

) ) DATE: June 20, 2017

) ) TIME: 1:30 p.m.

) ) CTRM: 255 E. Temple Street, 1368  
Los Angeles, CA 90012

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**TO THE HONORABLE VINCENT ZURZOLO, UNITED STATES BANKRUPTCY  
JUDGE FOR THE CENTRAL DISTRICT OF CALIFORNIA, DEBTOR AND DEBTOR'S  
ATTORNEY, CREDITORS AND ALL PARTIES IN INTEREST:**

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The United States Trustee (“U.S. Trustee”) hereby submits his limited opposition (“Limited Opposition”) to the Debtor’s Emergency Motion for Authority to Pay Pre-Petition Priority Wages (the “Wage Motion”).

## ARGUMENT

**A. The Wage Motion Lacks Sufficient Evidence Supporting the Amounts Debtor Proposes to Pay Employees.**

By way of the Wage Motion, Debtor seeks Court approval to pay all prepetition priority wages to Debtor's employees, provided that no employee shall receive more than \$12,850.<sup>1</sup> Evidence of what is currently owed for the pre-petition pay period are payroll registers for the Debtor's stores, attached as Exhibit A to the Wage Motion.

The U.S. Trustee has no objection to paying employees their prepetition wages up to the limit of \$12,850, however, Debtor has failed to provide sufficient documentary evidence supporting the amounts owed to all the Debtor's non-insider employees. The Debtor's first day motions for customer program retention (Doc. No. 2), utilities (Doc No. 3), cash management system (Doc. No. 4) and lease rejection (Doc. No. 5) (collectively, the "First Day Motions") are supported by an Omnibus Declaration of Tae Yi (Doc No. 6) (the "Yi Declaration"). Attached to the Yi Declaration is Exhibit "A", a list of stores and proposed utility deposits. One of the Debtor's shops listed in the utility deposit exhibit, located at the Glendale Galleria and identified by code CAO, does not have a corresponding payroll register attached to the Wage Motion. Similarly, the store located in Roseville, one of the 8 stores identified in the Debtor's lease rejection motion as operating on the petition date yet the Debtor's proposes to reject effective June 30, 2017,<sup>2</sup> and labeled with the code CNG, also does not have a corresponding payroll register in the Wage Motion.

The U.S. Trustee suggests that payroll registers for all of the missing employees should be submitted in support of the Debtor's request, at which point, Debtor's request can be revisited. Alternatively, the Debtor should explain why neither of these stores have non-insider employees requiring payment of pre-petition wages although it appears both are operating.

<sup>1</sup> See Wage Motion at 2:9.

<sup>2</sup> See Lease Rejection Motion at 5:16-17 and 2:7-20.

1                   **B. The Wage Motion and Yi Declaration Failed to Provide the Names of All of the**  
2                   **Shareholder Owners.**

3                   The Debtor repeatedly asserts that no insiders will be paid pursuant to the Wage Motion.<sup>3</sup>  
4                   However, the U.S. Trustee notes that neither the Wage Motion nor the Yi Declaration name the  
5                   insiders other than Mr. Yi, making it difficult, if not wholly impossible, to check the attached  
6                   payroll registers to ensure that no insiders are receiving compensation through this Wage Motion.  
7                   The U.S. Trustee suggests that the Debtor supplement the Yi Declaration with the names of the  
8                   Debtor's insiders so the Court, the U.S. Trustee and the creditors of the estate can be satisfied that  
9                   no insiders are included on the payroll registers.

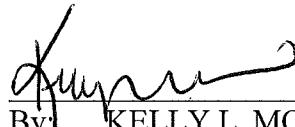
10                  **CONCLUSION**

11                  Based on the foregoing, the United States Trustee prays that this Court deny the Wage  
12                  Motion unless and until the above concerns are adequately addressed.

13                  WHEREFORE, the U.S. Trustee requests this Court deny the Wage Motion on the terms  
14                  and conditions outlined therein.

15                  DATED: June 19, 2017

PETER C. ANDERSON  
UNITED STATES TRUSTEE

17                    
18                  By: KELLY L .MORRISON  
19                  Trial Attorney

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28                  <sup>3</sup> See Wage Motion at 2:10-13 and 8:22-27.

## PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

915 Wilshire Blvd., Suite 1850, Los Angeles, California 90017-1574

A true and correct copy of the foregoing document entitled (*specify*): **UNITED STATES TRUSTEE'S LIMITED OPPOSITION TO DEBTOR'S EMERGENCY MOTION FOR AUTHORITY TO PAY PRE-PETITION PRIORITY WAGES** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. **TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF)**: Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On June 19, 2017, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

**SEE ATTACHED SERVICE LIST (IF APPLICABLE)**

Service information continued on attached page

2. **SERVED BY UNITED STATES MAIL**: On June 19, 2017, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

**SEE ATTACHED SERVICE LIST (IF APPLICABLE)**

Service information continued on attached page

3. **SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL** (*state method for each person or entity served*): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on June 19, 2017, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

**SEE ATTACHED SERVICE LIST (IF APPLICABLE)**

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

June 19, 2017  
Date

Stephanie Hill  
Print Name

  
Signature

**ADDITIONAL SERVICE INFORMATION**

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")**

Ronald E Gold, creditor's counsel, rgold@fbtlaw.com, joguinn@fbtlaw.com  
Eve H Karasik, debtor's counsel, ehk@lnbyb.com  
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cmartin@simon.com;psummers@simon.com;Bankruptcy@simon.com  
United States Trustee (LA), UST, ustpregion16.la.ecf@usdoj.gov  
Timothy J Yoo, debtor's counsel, tjy@lnbyb.com

***SEE NEF FOR CONFIRMATION OF ELECTRONIC TRANSMISSION TO THE U.S. TRUSTEE AND ANY  
TRUSTEE IN THIS CASE, AND TO ANY ATTORNEYS WHO RECEIVE SERVICE BY NEF.***

**2. SERVED BY U.S. MAIL**

**Debtor:**

Cornerstone Apparel, Inc.  
5807 Smithway Street  
Los Angeles, CA 90040

**3. SERVED BY PERSONAL DELIVERY**

Judge's Copy  
Honorable Vincent P. Zurzolo  
U.S. Bankruptcy Court  
255 E. Temple Street, Suite 1360  
Los Angeles, CA 90012